

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 INT-05 /095 W

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R 291709Z OCT 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1569

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

CONFIDENTIAL TEGUCIGALPA 4686

E.O. 11652: GDS

TAGS: INCO, HO

SUBJECT: BANANAS: EXPROPRIATION OF LANDS BELONGING TO U.S. COMPANIES

REF: A. TEGUCIGALPA 4641

B. TEGUCIGALPA 4653

1. CONFIRMATION THAT THE NATIONAL AGRARIAN INSTITUTE (INA) ANNOUNCEMENT ON EXPROPRIATION WAS PREMATURE HAS BEEN OBTAINED FROM MINISTER OF NATURAL RESOURCES RAFAEL CALLEJAS. THE MINISTER STATED THAT A PRIMARY CAUSE OF THE REASSIGNMENT OF LTC MARIO MALDONADO WAS HIS OVER-ANXIETY TO SHORT-CUT AGRARIAN REFORM LAW PROVISIONS IN ORDER TO HASTEN EXPROPRIATION AND DISTRIBUTION OF LAND. SEE ALSO REFTEL B. THE MINISTER STATED THAT THE UNUTILIZED LANDS OF BOTH UNITED BRANDS AND CASTLE AND COOK WILL BE EXPROPRIATED, BUT UNDER THE DUE PROCESS PROVIDED FOR IN THE LAW.

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2. SR. CALLEJAS IS IN CLOSE COMMUNICATIONS WITH TLEA RAILROAD

(UNITED BRANDS) AND HAS MADE PROGRESS TOWARD SEVERAL TENTATIVE AGREEMENTS. THESE INCLUDE THE PURCHASE BY THE MINISTRY OF THE 5,000 HEAD OF SPECIALLY CROSSBRED CATTLE OWNED BY THE COMPANY AND PASTURIZED ON THE GUAYMAS PROPERTY CLAIMED BY INA. GENERALLY, THE AGREEMENT SOUGHT WILL PROVIDE FOR ALL THE LAND NECESSARY TO UB FOR BANANA AND ORNAMENTAL PLANTS PRODUCTION PLUS LANDS FOR RESEARCH. JOINT VENTURE OPERATIONS ARE POSSIBLE IN SEVERAL CROPS INCLUDING AFRICAN PALM. THE MINISTER HOPES THAT THE COMPANY WILL SPIN OFF ITS RESEARCH ACTIVITIES INTO A SEPARATE CORPORATION WHICH THEN CAN BE JOINTLY FINANCED OR ABSORBED BY THE GOVERNMENT.

3. CALLEJAS HAS NOT BEEN IN COMMUNICATION WITH STANDARD FRUIT, BUT ACCEPTED THE RECOMMENDATION THAT THIS BE DONE IN THE IMMEDIATE FUTURE.

4. THE AGRARIAN REFORM LAW HAS TIED EVERYBODY'S HANDS, THE MINISTER STATED. THE SOLUTION TO MANY INVESTMENT PROBLEMS INVOLVING LAND MUST COME FROM FINDING LOOPHOLES AND WAYS TO GET AROUND THE LAW. HE SAID, HOWEVER, THAT THE LAW IS POLITICALLY UNCHANGEABLE FOR AT LEAST ONE YEAR. HE CITED AS AN EXAMPLE OF LOOPHOLES THE RATHER COMPLEX ARRANGEMENT WHICH IS BEING NEGOTIATED WITH GENERAL MILLS. THIS COMPANY NEEDS LAND FOR TANKS IN WHICH TO MATURE SHRIMP. THE LAND THEY WANT BELONGS TO THE TELA RAILROAD COMPANY. INA EVENTUALLY WILL EXPROPRIATE THE LAND BUT SINCE INA CANNOT LEASE LAND IT MUST BE TRANSFERRED OVER TO THE MINISTER OF NATURAL RESOURCES OR THE HONDURAN INVESTMENT CORPORATION (CONADI). THIS HOLDER IN TURN WILL NEGOTIATE A LONG TERM ARRANGEMENT WITH GENERAL MILLS WHICH WILL PROVIDE A GUARANTEE TO THE COMPANY FOR USE OF THE LAND. THE COMPANY WILL THEN PROCEED WITH AN INVESTMENT PROGRAM WHICH COULD EXCEED \$5 MILLION.

COMMENT: THE MULTIPLICITY OF AGENCIES AND POLICIES THROUGH AND AROUND WHICH THE INVESTOR MUST OPERATE IS AT BEST DISCOURAGING. THE GOVERNMENT MUST COME UP WITH A TRACK RECORD IMPLEMENTING ITS ADMITTEDLY CONFUSED LEGISLATION IF THE FOREIGN INVESTOR IS TO BE ATTRACTED. END OF COMMENT.

SANCHEZ

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANANAS, LAND NATIONALIZATION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TEGUCI04686
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750375-1020
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751012/aaaaaktn.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 TEGUCIGALPA 4641
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by BoyleJA>; APPROVED <12 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANAS: EXPROPRIATION OF LANDS BELONGING TO U.S. COMPANIES
TAGS: EIND, EAGR, HO, US, UNITED BRANDS, INA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006